

**VILLAGE OF BELLAIRE**  
**ANTRIM COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**FEBRUARY 29, 2008**

### **Village Officials**

|                           |                  |
|---------------------------|------------------|
| President                 | Eugene Dewey     |
| President Pro-tem         | Dennis Balon     |
| Treasurer / Deputy Clerk  | Catherine Odom   |
| Chief of Police           | Brad Rowe        |
| Street Administrator      | Kenneth M. Stead |
| Council Executive / Clerk | Janet Person     |

### **Trustees**

Dennis Balon  
Anne Wendling  
David Schulz  
Helen Schuckel  
Patricia Drollinger  
Brent Nelson

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**Keskin, Cook, Miller & Alexander, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

July 16, 2008

To the President and Members of the Village  
Council of the Village of Bellaire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bellaire, Antrim County, Michigan as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

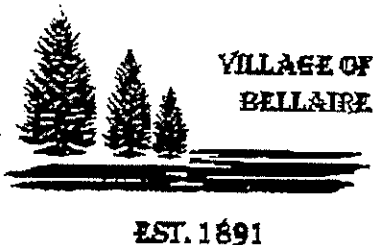
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Bellaire, Antrim County, Michigan as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3-7 and budgetary comparison information on pages 37-42, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 16, 2008, on our consideration of the Village of Bellaire's compliance and internal control over financial reporting.

*Keskine, Cook, Miller & Alexander LLP*

Keskine, Cook, Miller & Alexander, LLP  
Certified Public Accountants



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VILLAGE OF BELLAIRE  
MANAGEMENT'S DISCUSSION & ANALYSIS  
YEAR ENDED FEBRUARY 28, 2008

This section of the Village of Bellaire's annual financial report presents our discussion and analysis of the Village's financial performance during the fiscal year ended February 28, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Assets at February 28, 2008 totaled approximately \$2,200,000 for governmental activities and \$3,310,000 for business-type activities. Of these totals, approximately \$1,141,000 and 2,548,000, respectively, represent capital assets net of depreciation.

Overall revenues were approximately \$1,277,000 (\$764,000 from governmental activities and \$513,000 from business-type activities). Overall expenses approximated \$1,510,000 (\$811,000 for governmental activities and \$506,000 for business-type activities).

The tax base increased by approximately 6%.

The Village incurred no new debt instrument during the year. Long-term debt activity is addressed further in a subsequent section of this letter.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, management discussion & analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village.

The first two statements are Village wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities and/or business type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

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## ENTITY-WIDE FINANCIAL STATEMENTS

The entity wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

Most of the activities of the Village are reported as governmental activities. These would include the general fund, cemetery fund, parks, major streets, local streets, public safety fund and the motor pool fund. Some activities such as the water and sewer funds are treated as business activities where the revenues of the activity are designed to pay for the operations of the activity.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village board may also create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Village has the following types of funds:

**Governmental Funds:** Most of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include: General, Law Enforcement, Major Street, Local Street, Soccer Park, Various Debt Service Funds and Cemetery.

**Proprietary Funds:** These funds represent activities in the government which are basically treated like private sector companies. These funds are designed to have revenues earned adequate to pay for the operations of the activity. These funds are presented on a full accrual method and will show no difference between the Village's government-wide statements and fund statements presentation. The Village's proprietary funds include: Water, Sewer and Internal Service.

## FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

**Net Assets:** The Village's combined net assets decreased approximately \$222,000 during the year ended February 28, 2008 totaling \$3,456,254.

**Governmental Activities:** The net assets for governmental activities decreased approximately \$60,000.

**Business Type Activities:** The net assets for business-type activities decreased approximately \$173,000.

## FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

**General Fund:** This fund is used to record all activities of the Village not required to be recorded in a separate fund. This would include parks, zoning, dam, building and grounds, legislative, administrative, and elections. The major source of revenue for the general fund is from the Village tax base & the revenue sharing from the State of Michigan. The major expenses for this fiscal year include the general operating activities of the Village.

**Major Streets:** This fund is used to record revenues and expenses for major (state-owned) streets located within the Village. The major source of revenue comes from the State of Michigan in the form of transportation taxes and grants for snow removal. The major expense for this fund is equipment rental for snow removal and street repair.

**Local Streets:** This fund is used to record revenues and expenses for local (Village-owned) streets. Local street revenue comes from property taxes and from the state in the form of grants for snow removal and from gas and weight taxes. This fund also records contributions from area Townships for repairing or paving local streets.

**Public Safety Fund:** The public safety fund is used to record police department activities. Its major source of revenue comes from the general fund. The expenses incurred are for operational costs.

**Soccer Park:** This fund is used to record the grant activity and public contributions related to capital improvements planned for the Village's Soccer Park.

**Cemetery Fund:** The major source of revenue is from the sale of cemetery plots. The expenses incurred are for maintenance.

**Sewer Fund:** The sewer fund records all activities of the Village's wastewater treatment system. The major source of revenue is from user charges, and the major expense is the operation and maintenance of the sewer system.

**Water Fund:** This fund is used to record revenues and expenses for the Village water system. The revenues come from user charges and the expenses are incurred for operation and maintenance.

**Internal Service:** This is used to record the operation by the Department of Public Works. The primary source of revenue comes from equipment rental fees charged to the other funds of the Village. The primary expenses are accrued from the operations and maintenance of equipment.



**Bellaire Building Authority Debt Service:** This fund collected lease revenue from the general fund and satisfied the debt service requirements of the Craven Dam Bond.

**2004 Water Upgrade Debt Service:** This fund satisfies the debt requirements of the Water Upgrade Bond issued in the current year.

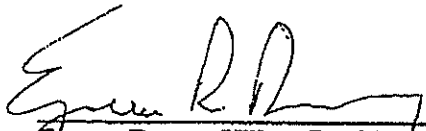
## LONG-TERM DEBT ACTIVITY

### Long Term Debt:

- ◆ Sewer Revenue Bond: The Revenue Bond payments for this fiscal year totaled \$67,418 (\$35,000 principal and \$32,418 interest).
- ◆ Sewer General Obligation Bond: The bond payments for this fiscal year totaled \$64,690 (\$35,000 principal and \$38,703 interest).
- ◆ Bellaire Building Authority Bond: The bond payments made this fiscal year for the restoration of Craven Dam totaled \$16,820 (\$10,000 principal and 6,380 interest).
- ◆ Water Upgrade Capital Improvement Bond: The Village paid \$5,760 in loan payments for the fiscal year (\$4,000 principal and \$1,600 interest).
- ◆ Inter-fund Loan to Local Street from General Fund: The Local Street Fund paid the General Fund \$11,655 (\$7,889 principal and \$3,767 interest) for re-payment of an inter-fund loan.

## CONTACTING VILLAGE MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report please contact Janet Person, Village Clerk or Butch, Village President at 202 N. Bridge St., P.O. Box 557, Bellaire, MI 49615 or by calling 231-533-8213 during the hours of 8:30 AM to 4:00 PM.

  
Eugene Dewey, Village President

  
Dennis Balon, Village President Pro-Tem

  
Janet Person, Village Clerk

**VILLAGE OF BELLAIRE**  
**STATEMENT OF NET ASSETS**  
**FEBRUARY 29, 2008**

|   | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> | <b>TOTAL</b> |
|---|------------------------------------|-------------------------------------|--------------|
| <b>ASSETS</b>                                   |                                    |                                     |              |
| <b>Current Assets:</b>                          |                                    |                                     |              |
| Cash  | \$ 559,499                         | \$ 262,174                          | \$ 821,673   |
| Investments                                     | 286,833                            | 335,623                             | 622,456      |
| Accounts receivable                             | 71,731                             | 26,336                              | 98,067       |
| Inventory                                       | 2,408                              | -                                   | 2,408        |
| Internal balances                               | 67,077                             | (67,077)                            | -            |
| Inter-fund loan                                 | 67,443                             | -                                   | 67,443       |
| Capital assets, net                             | 1,141,798                          | 2,548,283                           | 3,690,081    |
|   | <hr/>                              | <hr/>                               | <hr/>        |
| Total assets                                    | 2,196,789                          | 3,105,339                           | 5,302,128    |
| <br><b>LIABILITIES</b>                          |                                    |                                     |              |
| Accounts payable                                | 7,223                              | 2,792                               | 10,015       |
| Accrued interest payable                        | 8,760                              | 15,079                              | 23,839       |
| Deferred revenue                                | 7,600                              | -                                   | 7,600        |
| Long-term liabilities:                          |                                    |                                     |              |
| Due in one year:                                |                                    |                                     |              |
| Long-term debt                                  | 22,949                             | 75,000                              | 97,949       |
| Inter-fund loan                                 | 8,283                              | -                                   | 8,283        |
| Due in more than one year:                      |                                    |                                     |              |
| Long-term debt                                  | 274,028                            | 1,365,000                           | 1,639,028    |
| Inter-fund loan                                 | 59,160                             | -                                   | 59,160       |
|   | <hr/>                              | <hr/>                               | <hr/>        |
| Total liabilities                               | 388,003                            | 1,457,871                           | 1,845,874    |
| <br><b>NET ASSETS</b>                           |                                    |                                     |              |
| Invested in capital assets, net of related debt | 844,821                            | 1,108,283                           | 1,953,104    |
| Restricted for:                                 |                                    |                                     |              |
| Streets and sidewalks                           | 235,602                            | -                                   | 235,602      |
| Public safety                                   | 90,430                             | -                                   | 90,430       |
| Debt service                                    | 2,088                              | 116,791                             | 118,879      |
| Other   | 7,600                              | -                                   | 7,600        |
| Unrestricted                                    | 628,245                            | 422,394                             | 1,050,639    |
|   | <hr/>                              | <hr/>                               | <hr/>        |
| Total net assets                                | \$ 1,808,786                       | \$ 1,647,468                        | \$ 3,456,254 |
|   | <hr/>                              | <hr/>                               | <hr/>        |

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE  
STATEMENT OF ACTIVITIES  
YEAR ENDED FEBRUARY 29, 2008**

|  | P R O G R A M   R E V E N U E S |                      |                                   |                                 | N E T   (E X P E N S E)   R E V E N U E   A N D<br>C H A N G E S   I N   N E T   A S S E T S |                          |                     |
|--|---------------------------------|----------------------|-----------------------------------|---------------------------------|--|--------------------------|---------------------|
|  | EXPENSES                        | CHARGES FOR SERVICES | OPERATING GRANTS & CONTRI-BUTIONS | CAPITAL GRANTS & CONTRI-BUTIONS | GOVERN-MENTAL ACTIVITIES   | BUSINESS TYPE ACTIVITIES | TOTAL               |
| <b>GOVERNMENTAL ACTIVITIES</b>                             |                                 |                      |                                   |                                 |  |                          |                     |
| General fund expenses                                      | \$ 398,290                      | \$ -                 | \$ -                              | \$ -                            | \$ (398,290)   | \$ -                     | \$ (398,290)        |
| Street and sidewalk maintenance                            | 250,014                         | 12,965               | 97,697                            | -                               | (139,352)  | -                        | (139,352)           |
| Law enforcement  | 162,868                         | 3,064                | 2,796                             | -                               | (157,008)  | -                        | (157,008)           |
| Cemetery   | 12,871                          | 8,150                | 6,532                             | -                               | 1,811  | -                        | 1,811               |
| <b>Total governmental activities</b>                       | <b>824,043</b>                  | <b>24,179</b>        | <b>107,025</b>                    | <b>-</b>                        | <b>(692,839)</b>   | <b>-</b>                 | <b>(692,839)</b>    |
| <b>BUSINESS-TYPE ACTIVITIES</b>                            |                                 |                      |                                   |                                 |  |                          |                     |
| Sewer  | 473,021                         | 261,837              | -                                 | -                               | -  | (211,184)                | (211,184)           |
| Water  | 141,434                         | 129,174              | -                                 | -                               | -  | (12,260)                 | (12,260)            |
| Interest on long-term debt                                 | 71,121                          | -                    | -                                 | -                               | -  | (71,121)                 | (71,121)            |
| <b>Total business-type activities</b>                      | <b>685,576</b>                  | <b>391,011</b>       | <b>-</b>                          | <b>-</b>                        | <b>-</b>   | <b>(294,565)</b>         | <b>(294,565)</b>    |
| <b>Total government</b>                                    | <b>1,509,619</b>                | <b>415,190</b>       | <b>107,025</b>                    | <b>-</b>                        | <b>(692,839)</b>   | <b>(294,565)</b>         | <b>(987,404)</b>    |
| <b>GENERAL REVENUES</b>                                    |                                 |                      |                                   |                                 |  |                          |                     |
| Property Taxes:  |                                 |                      |                                   |                                 |  |                          |                     |
| Levied for General Purposes                                |                                 |                      |                                   |                                 | 355,667  | -                        | 355,667             |
| Levied for Local Street Maintenance                        |                                 |                      |                                   |                                 | 97,048   | -                        | 97,048              |
| Levied for Debt Service                                    |                                 |                      |                                   |                                 | -  | 97,048                   | 97,408              |
| Property Tax Administration Fee                            |                                 |                      |                                   |                                 | 5,494  | -                        | 5,494               |
| State Shared Revenue (not restricted to specific purposes) |                                 |                      |                                   |                                 | 111,600  | -                        | 111,600             |
| Investment Earnings  |                                 |                      |                                   |                                 | 40,982   | 31,554                   | 72,539              |
| Miscellaneous  |                                 |                      |                                   |                                 | 25,131   | 162                      | 25,293              |
| <b>TRANSFERS</b>   |                                 |                      |                                   |                                 | 7,222  | (7,222)                  | -                   |
| <b>TOTAL GENERAL REVENUES AND TRANSFERS</b>                |                                 |                      |                                   |                                 | <b>643,144</b>   | <b>121,542</b>           | <b>764,686</b>      |
| <b>CHANGE IN NET ASSETS</b>                                |                                 |                      |                                   |                                 | <b>(49,695)</b>  | <b>(173,023)</b>         | <b>(222,718)</b>    |
| <b>NET ASSETS - BEGINNING OF YEAR</b>                      |                                 |                      |                                   |                                 | <b>1,858,481</b>   | <b>1,820,491</b>         | <b>3,678,972</b>    |
| <b>NET ASSETS - END OF YEAR</b>                            |                                 |                      |                                   |                                 | <b>\$ 1,808,786</b>  | <b>\$ 1,647,468</b>      | <b>\$ 3,456,254</b> |

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
FEBRUARY 29, 2008**

|                                    | <b>MAJOR GOVERNMENTAL FUNDS</b> |                      |                     |                     | <b>NON-MAJOR GOVERNMENTAL FUNDS</b> |                   |
|------------------------------------|---------------------------------|----------------------|---------------------|---------------------|-------------------------------------|-------------------|
|                                    | <b>GENERAL</b>                  | <b>PUBLIC SAFETY</b> | <b>MAJOR STREET</b> | <b>LOCAL STREET</b> |                                     | <b>TOTAL</b>      |
| <b>ASSETS</b>                      |                                 |                      |                     |                     |                                     |                   |
| Cash                               | \$ 222,802                      | \$ 91,581            | \$ 62,385           | \$ 80,591           | \$ 24,755                           | \$ 482,114        |
| Investments                        | 128,275                         | -                    | 37,693              | 31,714              | 89,151                              | 286,833           |
| Accounts receivable:               |                                 |                      |                     |                     |                                     |                   |
| Due from state                     | 19,495                          | -                    | 19,591              | 11,613              | -                                   | 50,699            |
| Due from county                    | -                               | -                    | 14,500              | -                   | -                                   | 14,500            |
| Due from other funds               | 73,455                          | -                    | -                   | -                   | -                                   | 73,455            |
| Total assets                       | <u>\$ 444,027</u>               | <u>\$ 91,581</u>     | <u>\$ 134,169</u>   | <u>\$ 123,918</u>   | <u>\$ 113,906</u>                   | <u>\$ 907,601</u> |
| <b>LIABILITIES AND FUND EQUITY</b> |                                 |                      |                     |                     |                                     |                   |
| <b>Liabilities</b>                 |                                 |                      |                     |                     |                                     |                   |
| Accounts payable                   | \$ 3,443                        | \$ 1,151             | \$ 82               | \$ 52               | \$ 8                                | \$ 4,736          |
| Deferred revenue                   | -                               | -                    | -                   | -                   | 7,600                               | 7,600             |
| Due to other governmental funds    | -                               | -                    | 13,518              | 8,833               | -                                   | 22,351            |
| Total liabilities                  | <u>3,443</u>                    | <u>1,151</u>         | <u>13,600</u>       | <u>8,885</u>        | <u>7,608</u>                        | <u>34,687</u>     |
| <b>Fund Equity</b>                 |                                 |                      |                     |                     |                                     |                   |
| Fund balance:                      |                                 |                      |                     |                     |                                     |                   |
| Undesignated and unreserved        | 440,584                         | -                    | -                   | -                   | 96,610                              | 537,194           |
| Reserved for:                      |                                 |                      |                     |                     |                                     |                   |
| Public safety                      | -                               | 90,430               | -                   | -                   | -                                   | 90,430            |
| Streets and sidewalks              | -                               | -                    | 120,569             | 115,033             | -                                   | 235,602           |
| Other                              | -                               | -                    | -                   | -                   | 9,688                               | 9,688             |
| Total fund equity                  | <u>440,584</u>                  | <u>90,430</u>        | <u>120,569</u>      | <u>115,033</u>      | <u>106,298</u>                      | <u>872,914</u>    |
| Total liabilities and fund equity  | <u>\$ 444,027</u>               | <u>\$ 91,581</u>     | <u>\$ 134,169</u>   | <u>\$ 123,918</u>   | <u>\$ 113,906</u>                   | <u>\$ 907,601</u> |

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
FEBRUARY 29, 2008**

|  |                     |
|--|---------------------|
| <b>Total Fund Balance - Governmental Activities (Per<br/>Balance Sheet - Page 9)</b>   | <b>\$ 872,914</b>   |
| Amounts reported for governmental activities in the<br>Statement of Net Assets (page 7) are different because:   |                     |
| Capital assets used in governmental activities are not<br>financial resources and therefore are not used in the<br>funds   | 1,014,049           |
| Receivables reported in the statement of activities that do<br>not provide current financial resources are not reported<br>as receivables in the governmental funds  | 6,532               |
| Long-term liabilities, including bonds payable, and<br>accrued interest are not due and payable in the current<br>period and therefore are not reported in the funds   | (296,977)           |
| Accrued interest on long-term liabilities is not due and<br>payable in the current period and is not reported in the<br>funds  | (8,760)             |
| Internal service funds are used by management to charge<br>the costs of certain activities to individual funds. The<br>assets and liabilities of the internal service funds are<br>included in governmental activities in the Statement of<br>Net Assets | 221,028             |
| <b>Total Net Assets - Governmental Activities (Per<br/>Statement of Net Assets - Page 7)</b>   | <b>\$ 1,808,786</b> |

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED FEBRUARY 29, 2008**

|  | <u>MAJOR GOVERNMENTAL FUNDS</u> |                      |                     |                     | <u>NON-MAJOR GOVERNMENTAL FUNDS</u> |              |
|--|---------------------------------|----------------------|---------------------|---------------------|-------------------------------------|--------------|
|  | <u>GENERAL</u>                  | <u>PUBLIC SAFETY</u> | <u>MAJOR STREET</u> | <u>LOCAL STREET</u> |                                     | <u>TOTAL</u> |
| <b>REVENUES</b>  |                                 |                      |                     |                     |                                     |              |
| Taxes and assessments  | \$ 355,667                      | \$ -                 | \$ -                | \$ 97,048           | \$ -                                | \$ 452,715   |
| Federal grants   | 1,616                           | -                    | -                   | -                   | -                                   | 1,616        |
| State grants   | 111,600                         | 2,796                | 67,314              | 30,383              | -                                   | 212,093      |
| Local grants   | -                               | -                    | -                   | -                   | 575                                 | 575          |
| Charges for services   | 9,204                           | 3,064                | 12,965              | -                   | 8,150                               | 33,383       |
| Interest income  | 15,518                          | 966                  | 6,416               | 8,132               | 9,950                               | 40,982       |
| Other  | 38,283                          | 731                  | 1,466               | 1,041               | 18,180                              | 59,701       |
| Total revenues   | 531,888                         | 7,557                | 88,161              | 136,604             | 36,855                              | 801,065      |
| <b>EXPENDITURES</b>  |                                 |                      |                     |                     |                                     |              |
| General government   | 234,791                         | -                    | -                   | -                   | -                                   | 234,791      |
| Parks  | 87,413                          | -                    | -                   | -                   | -                                   | 87,413       |
| Zoning   | 25,881                          | -                    | -                   | -                   | -                                   | 25,881       |
| Craven dam   | 5,102                           | -                    | -                   | -                   | 1,800                               | 6,902        |
| Street maintenance   | -                               | -                    | 98,838              | 123,943             | -                                   | 222,781      |
| Public safety  | -                               | 162,868              | -                   | -                   | 14,940                              | 177,808      |
| Cemetery   | -                               | -                    | -                   | -                   | 12,871                              | 12,871       |
| Debt service:  |                                 |                      |                     |                     |                                     |              |
| Principal  | -                               | -                    | -                   | 17,204              | 14,000                              | 31,204       |
| Interest   | -                               | -                    | -                   | 10,029              | 7,980                               | 18,009       |
| Total expenditures   | 353,187                         | 162,868              | 98,838              | 151,176             | 51,591                              | 817,660      |
| Excess (deficiency) of revenues over expenditures                                  | 178,701                         | (155,311)            | (10,677)            | (14,572)            | (14,736)                            | (16,595)     |
| <b>OTHER FINANCING SOURCES (USES)</b>  |                                 |                      |                     |                     |                                     |              |
| Transfers in   | -                               | 209,155              | -                   | -                   | 7,222                               | 216,377      |
| Transfers out  | (209,155)                       | -                    | -                   | -                   | -                                   | (209,155)    |
| Total other financing sources (uses)   | (209,155)                       | 209,155              | -                   | -                   | 7,222                               | 7,222        |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | (30,454)                        | 53,844               | (10,677)            | (14,572)            | (7,514)                             | (9,373)      |
| Fund balance - beginning of year   | 471,038                         | 36,586               | 131,246             | 129,605             | 113,812                             | 882,287      |
| Fund balance - end of year   | \$ 440,584                      | \$ 90,430            | \$ 120,569          | \$ 115,033          | \$ 106,298                          | \$ 872,914   |

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED FEBRUARY 29, 2008**

|   |    |         |
|---|----|---------|
| <b>Net Change in Fund Balances - Total Governmental Funds -<br/>Page 11</b> | \$ | (9,373) |
|---|----|---------|

Amounts reported for governmental activities in the statement of activities (page 8) are different because:

|  |  |          |
|--|--|----------|
| Depreciation expense, recorded in the statement of activities but not the governmental fund financial statements |  | (63,330) |
|--|--|----------|

|  |  |          |
|--|--|----------|
| Internal service funds are used by management to charge the costs of equipment services to individual funds. Net revenue of the internal service fund is reported within governmental activities |  | (17,738) |
|--|--|----------|

|  |  |        |
|--|--|--------|
| Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide financial statements, long term debt is recorded and debt service payments are applied against the outstanding balances. |  | 41,513 |
|--|--|--------|

|  |  |       |
|--|--|-------|
| Some expenses/revenues reported in the statement of activities do not require the use of or contribute to current financial resources and are not reported in governmental funds. This includes accrued interest expense and deferred revenue. |  | (767) |
|--|--|-------|

|  |    |          |
|--|----|----------|
| <b>Change in Net Assets - Governmental Activities - Per<br/>Statement of Activities (Page 8)</b> | \$ | (49,695) |
|--|----|----------|

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
FEBRUARY 29, 2008**

|  | <b>BUSINESS-TYPE ACTIVITIES -<br/>ENTERPRISE FUNDS</b> |              |              | <b>GOVERNMENTAL<br/>ACTIVITIES<br/>INTERNAL<br/>SERVICE<br/>FUND</b> |
|--|--|--------------|--------------|--|
|  | <b>SEWER</b>   | <b>WATER</b> | <b>TOTAL</b> |  |
| <b>ASSETS</b>                                      |  |              |              |  |
| Current assets:                                    |  |              |              |  |
| Cash   | \$ 234,277   | \$ 27,897    | \$ 262,174   | \$ 77,385  |
| Investments  | 335,623  | -            | 335,623      | -  |
| Due from other funds                               | -  | -            | -            | 15,973   |
| Accounts receivable                                | 17,557   | 8,779        | 26,336       | -  |
| Inventory  | -  | -            | -            | 2,408  |
| Total current assets                               | 587,457  | 36,676       | 624,133      | 95,766   |
| Noncurrent assets - Capital<br>assets, net         | 2,134,036  | 414,247      | 2,548,283    | 127,771  |
| Total assets                                       | 2,721,493  | 450,923      | 3,172,416    | 223,537  |
| <b>LIABILITIES</b>                                 |  |              |              |  |
| Current liabilities:                               |  |              |              |  |
| Accrued liabilities                                | 15,079   | -            | 15,079       | -  |
| Accounts payable                                   | 1,475  | 1,317        | 2,792        | 2,507  |
| Due to other funds                                 | 25,096   | 41,981       | 67,077       | -  |
| Current portion of bonds payable                   | 75,000   | -            | 75,000       | -  |
| Total current liabilities                          | 116,650  | 43,298       | 159,948      | 2,507  |
| Noncurrent liabilities:                            |  |              |              |  |
| Bonds payable, net of current<br>portion           | 1,365,000  | -            | 1,365,000    | -  |
| Total liabilities                                  | 1,481,650  | 43,298       | 1,524,948    | 2,507  |
| <b>NET ASSETS</b>                                  |  |              |              |  |
| Invested in capital assets, net of<br>related debt | 694,036  | 414,247      | 1,108,283    | -  |
| Restricted for debt service                        | 116,791  | -            | 116,791      | -  |
| Unrestricted                                       | 429,016  | (6,622)      | 422,394      | 221,028  |
| Total net assets                                   | \$ 1,239,843   | \$ 407,625   | \$ 1,647,468 | \$ 221,028   |

See accompanying notes to financial statements.



**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED FEBRUARY 29, 2008**

|   | <b>BUSINESS-TYPE ACTIVITIES -<br/>ENTERPRISE FUNDS</b> |              |              | <b>GOVERNMENTAL<br/>ACTIVITIES<br/>INTERNAL<br/>SERVICE<br/>FUND</b> |
|---|--|--------------|--------------|--|
|   | <b>SEWER</b>   | <b>WATER</b> | <b>TOTAL</b> |  |
| <b>Operating revenues</b>                                 |  |              |              |  |
| Charges for services                                      | \$ 261,837   | \$ 129,174   | \$ 391,011   | \$ 114,511   |
| Taxes and assessments                                     | 97,048   | -            | 97,048       | -  |
| State grants  | -  | -            | -            | -  |
| Other   | 93   | 69           | 162          | 1,275  |
| Total operating revenues                                  | 358,978  | 129,243      | 488,221      | 115,786  |
| <b>Operating expenses</b>                                 |  |              |              |  |
| Wages and fringe benefits                                 | 121,849  | 73,931       | 195,780      | 44,428   |
| Contractual services                                      | 11,084   | 1,925        | 13,009       | -  |
| Insurance   | 4,724  | 1,288        | 6,012        | 14,072   |
| Equipment rental  | 4,274  | 12,042       | 16,316       | -  |
| Supplies  | 17,181   | 611          | 17,792       | 17,614   |
| Repairs and maintenance                                   | 179,074  | 8,505        | 187,579      | 30,749   |
| Utilities   | 23,713   | 13,441       | 37,154       | 6,299  |
| Depreciation  | 96,781   | 15,830       | 112,611      | 18,227   |
| Miscellaneous   | 14,341   | 13,861       | 28,202       | 2,444  |
| Total operating expenses                                  | 473,021  | 141,434      | 614,455      | 133,833  |
| <b>Operating income</b>                                   | (114,043)  | (12,191)     | (126,234)    | (18,047)   |
| <b>Non-operating revenues (expenses)</b>                  |  |              |              |  |
| Interest income   | 30,779   | 775          | 31,554       | 309  |
| Interest expense  | (71,121)   | -            | (71,121)     | -  |
| <b>Income - before other financing sources<br/>(uses)</b> | (154,385)  | (11,416)     | (165,801)    | (17,738)   |
| <b>Other financing sources (uses)</b>                     |  |              |              |  |
| Transfers in  | -  | -            | -            | -  |
| Transfers out   | -  | (7,222)      | (7,222)      | -  |
| Total other financing sources (uses)                      | -  | (7,222)      | (7,222)      | -  |
| <b>Change in net assets</b>                               | (154,385)  | (18,638)     | (173,023)    | (17,738)   |
| <b>Total net assets - beginning of year</b>               | 1,394,228  | 426,263      | 1,820,491    | 238,766  |
| <b>Total net assets - end of year</b>                     | \$ 1,239,843   | \$ 407,625   | \$ 1,647,468 | \$ 221,028   |

See accompanying notes to financial statements.

**VILLAGE OF BELLAIRE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED FEBRUARY 29, 2008**

|   | <b>Enterprise Funds</b> |                  |                   | <b>INTERNAL<br/>SERVICE<br/>FUND</b> |
|---|-------------------------|------------------|-------------------|--------------------------------------|
|   | <b>SEWER</b>            | <b>WATER</b>     | <b>TOTAL</b>      |                                      |
| <b>Cash flows from operating activities:</b>  |                         |                  |                   |                                      |
| Cash received from customers  | \$ 263,061              | \$ 133,763       | \$ 396,824        | \$ 98,538                            |
| Cash received from property tax levy  | 97,048                  | -                | 97,048            | -                                    |
| Cash payments to suppliers for goods and services                                       | (59,959)                | (24,633)         | (84,592)          | (73,345)                             |
| Cash payments to employees and professional contractors for services                    | (296,582)               | (75,856)         | (372,438)         | (44,428)                             |
| Payments for internal services  | (4,274)                 | (12,042)         | (16,316)          | -                                    |
| Internal services - receipts from other funds   | -                       | -                | -                 | -                                    |
| Other operating revenues  | 93                      | 69               | 162               | 1,275                                |
| Net cash provided by operating activities   | (613)                   | 21,301           | 20,688            | (17,960)                             |
| <b>Cash flows from capital and related financing activities:</b>                        |                         |                  |                   |                                      |
| Principal paid on bonds and transfers   | (70,000)                | (7,222)          | (77,222)          | -                                    |
| Interest paid on bonds  | (71,121)                | -                | (71,121)          | -                                    |
| Net cash used in capital and related financing activities                               | (141,121)               | (7,222)          | (148,343)         | -                                    |
| <b>Cash flows from investing activities:</b>  |                         |                  |                   |                                      |
| Purchase of investments   | -                       | -                | -                 | -                                    |
| Proceeds from the sale of investments   | -                       | -                | -                 | -                                    |
| Investment income   | 30,779                  | 775              | 31,554            | 309                                  |
| Net cash provided by investing activities   | 30,779                  | 775              | 31,554            | 309                                  |
| <b>Net increase (decrease) in cash and cash equivalents</b>                             | (110,955)               | 14,854           | (96,101)          | (17,651)                             |
| <b>Cash and cash equivalents - beginning of year</b>                                    | 680,855                 | 13,043           | 693,898           | 95,036                               |
| <b>Cash and cash equivalents - end of year</b>  | <b>\$ 569,900</b>       | <b>\$ 27,897</b> | <b>\$ 597,797</b> | <b>\$ 77,385</b>                     |
| <b>Reconciliation of operating income (loss) to net cash from operating activities:</b> |                         |                  |                   |                                      |
| Operating income (loss)   | \$ (114,043)            | \$ (12,191)      | \$ (126,234)      | \$ (18,047)                          |
| Adjustments to reconcile operating income (loss) to net cash from operating activities  |                         |                  |                   |                                      |
| Depreciation expense  | 96,781                  | 15,830           | 112,611           | 18,227                               |
| Changes in assets and liabilities:  |                         |                  |                   |                                      |
| Receivables   | 14,166                  | 4,589            | 18,755            | (15,971)                             |
| Due from / to other funds   | 3,913                   | 13,151           | 17,064            | -                                    |
| Inventory   | -                       | -                | -                 | -                                    |
| Accounts payable  | (1,430)                 | (78)             | (1,508)           | (2,169)                              |
| Accrued liabilities   | -                       | -                | -                 | -                                    |
| Net cash provided by operating activities   | <b>\$ (613)</b>         | <b>\$ 21,301</b> | <b>\$ 20,688</b>  | <b>\$ (17,960)</b>                   |

See accompanying notes to financial statements

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 1: ENTITY**

The Village of Bellaire is a General Law Village of the State of Michigan organized in 1879, located in Antrim County, Michigan. Its physical boundaries incorporate parts of Forest Home and Kearney Townships.

The criteria for determining the various governmental functions to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements include all of the governmental functions of the Village of Bellaire.

**BELLAIRE DISTRICT FIRE DEPARTMENT**

These statements do not include activities of the Bellaire District Fire Department since the Village has no financial or oversight responsibility.

**BELLAIRE BUILDING AUTHORITY**

In June 2001, the Bellaire Building Authority was created under the provisions of Public Act 31 of 1948. The purpose of the Authority is to provide for the acquisition and construction of certain public buildings, parking lots or structures, recreational facilities, stadiums and the necessary site or sites for the use of the Village of Bellaire. Although it is legally separate from the Village, the Building Authority is reported as if it were a part of the primary government because its sole purpose is to serve the Village of Bellaire.

The financial activity of the Building Authority is reported in a capital projects and debt service fund within the Village's financial statements. The Building Authority is also audited under separate cover, and the financial statements are located at the Village offices.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of the Village of Bellaire are discussed in subsequent sections of this Note. The remaining notes are organized to provide explanations including required disclosures of the Village's financial activities.

The accounting policies of the Village of Bellaire conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Village as a whole, excluding fiduciary activities such as cemetery perpetual care activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Village general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Village's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Village reports the following major governmental funds:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND TYPES AND MAJOR FUNDS (CONTINUED)**

*Public Safety Fund* – This fund is used to account for all financial transactions of the Village's police department. The activities of the police department are financed primarily by transfers of resources from the General Fund.

*Major Street Fund* – This fund is used to account for all financial transactions related to the Village's "major" (state-owned) streets. Revenues are derived primarily from state grants.

*Local Street Fund* – This fund is used to account for all financial transactions related to the Village's local streets. Revenues are derived primarily from property taxes and state grants.

The Village reports, in total, the following non-major funds:

Cemetery and Soccer Park special revenue funds, and Bellaire Building Authority and Water Upgrade debt service funds.

***Proprietary Funds***

*Enterprise Funds* - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Water and sewer funds are reported in this category.

The Village reports the following major enterprise funds:

***Proprietary Funds***

*Water Fund* – This fund is used to account for all financial transactions of the Village's Water Utility services. Revenues are derived primarily from user charges.

*Sewer Fund* - This fund is used to account for all financial transactions of the Village's Sewer Utility services. Revenues are derived primarily from user charges.

***Other Funds***

*Internal Service Funds* – account for equipment provided by one department to other departments within the Village on a cost-reimbursement basis. These are proprietary funds reported with governmental activities in the government-wide statements. The Village's motor pool fund is an internal service fund.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Village are prepared in accordance with generally accepted accounting principles (GAAP). The Village applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Village does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**Government-Wide Financial Statements**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Village departments.

Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

**Governmental Fund Financial Statements**

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Village considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15; uncollected amounts are subsequently added to the county delinquent tax rolls. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Village records the property tax revenue on the lien date when it becomes an enforceable legal claim for the Village. Therefore, all taxes levied on July 1, 2007, are recorded as revenue in the current year.

Property taxes were levied as follows for the year ended February 29, 2008:

|                 |               |
|-----------------|---------------|
| General         | 11.1369 mills |
| Local Street    | 3.0000 mills  |
| Sewer G.O. Bond | 3.0000 mills  |

***Proprietary Fund Financial Statements***

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**BUDGETS**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The approved budgets of the Village for budgetary funds were adopted on a fund level using the modified accrual basis. Budgets are normally formulated during December and January of each year and a budget hearing is held in February.

The council normally adopts the budget just prior to March 1. Amendments are made to the budgets when determined to be necessary throughout the year. We noted no overexpenditures during the year.

Budgets are not required for the proprietary, fiduciary, and debt service fund types.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**INVENTORY**

Inventory for street materials have been recorded at cost.

**CAPITAL ASSETS AND DEPRECIATION**

The Villages property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Village maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Village generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

|                                     |        |
|-------------------------------------|--------|
| Buildings                           | 5 – 50 |
| Improvements, other than buildings  | 2 – 50 |
| Mobile equipment                    | 3 – 30 |
| Furniture, machinery, and equipment | 3 – 30 |

For information describing capital assets, see Note 6.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND  
DISCOUNTS/PREMIUMS**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.



**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 3: CASH AND INVESTMENTS**

The Village of Bellaire uses a common banking account to pool various cash funds and enhance investment earnings. The various fund's equity at February 29, 2008 are as follows:

|                                  | <b><u>Common<br/>Checking</u></b> |
|----------------------------------|-----------------------------------|
| General Fund                     | \$ 222,802                        |
| Water Fund                       | 27,897                            |
| Motor Pool Internal Service Fund | 77,385                            |
| Public Safety Fund               | 91,581                            |
|                                  | <b><u>\$ 419,665</u></b>          |

Interfund borrowings are common and normally short-term in nature. Certificates of deposit are cashed when necessary to eliminate negative balances.

Cash consists of bank accounts or securities with original maturities of 90 days or less.

All cash deposits are maintained in financial institutions in the Bellaire, Michigan area. The Village's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Village at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the Village or by its agent in the Village's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Village's name.

Category 3 - Uncollateralized.

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED FEBRUARY 29, 2008**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

|                     | BANK<br>BALANCE   | 1                 | CATEGORY    |                   | CARRYING<br>AMOUNT |
|---------------------|-------------------|-------------------|-------------|-------------------|--------------------|
|                     |                   |                   | 2           | 3                 |                    |
| Pooled Deposits     | \$ 433,250        | \$ 100,000        | \$ -        | \$ 333,250        | \$ 419,565         |
| Local Street        | 80,591            | -                 | -           | 80,591            | 80,591             |
| Major Street        | 76,316            | -                 | -           | 76,316            | 62,385             |
| Sewer               | 126,350           | -                 | -           | 126,350           | 117,486            |
| Sewer-Bond Red.     | 116,791           | -                 | -           | 116,791           | 116,791            |
| Cemetery            | 13,249            | -                 | -           | 13,249            | 13,249             |
| Building Authority  | 1,063             | 1,063             | -           | -                 | 1,063              |
| 04 Water Upgrade    | 1,025             | -                 | -           | 1,025             | 1,025              |
| Soccer Park         | 9,418             | -                 | -           | 9,418             | 9,418              |
| Petty Cash          | -                 | -                 | -           | -                 | 100                |
| Total Cash Deposits | <u>\$ 858,053</u> | <u>\$ 101,063</u> | <u>\$ -</u> | <u>\$ 756,990</u> | <u>\$ 821,673</u>  |

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Village's investments are as follows:

- (1) Insured or securities held by the Village or the Village's agent in the Village's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Village's name.
- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Village's name.

Investments are stated at cost, which approximates fair market value. Investments consist of securities with original maturities in excess of 90 days. Balances at February 29, 2008, consist of the following:

|                   | CATEGORY    |                   |             | CARRYING<br>AMOUNT |
|-------------------|-------------|-------------------|-------------|--------------------|
|                   | 1           | 2                 | 3           |                    |
| Sewer             | \$ -        | \$ 335,623        | \$ -        | \$ 335,623         |
| Local Street      | -           | 31,714            | -           | 31,714             |
| General           | -           | 128,275           | -           | 128,275            |
| Cemetery          | -           | 89,151            | -           | 89,151             |
| Major Street      | -           | 37,693            | -           | 37,693             |
| Total Investments | <u>\$ -</u> | <u>\$ 622,456</u> | <u>\$ -</u> | <u>\$ 622,456</u>  |

The Village's investing is performed in accordance with investment policies complying with state statutes.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 4: RECEIVABLES**

Governmental Funds - Accounts receivable at February 29, 2008 consist of the following:

|                       | <u>GENERAL</u>   | <u>MAJOR STREET</u> | <u>LOCAL STREET</u> | <u>TOTAL</u>     |
|-----------------------|------------------|---------------------|---------------------|------------------|
| State of Michigan     | \$ 19,495        | \$ 19,591           | \$ 11,613           | \$ 50,699        |
| County Reimbursements | -                | 14,500              | -                   | 14,500           |
| Other                 | 6,532            | -                   | -                   | 6,532            |
|                       | <u>\$ 26,027</u> | <u>\$ 34,091</u>    | <u>\$ 11,613</u>    | <u>\$ 71,731</u> |

Proprietary funds - Accounts receivable at February 29, 2008, in the Enterprise funds consist of the following:

|                | <u>SEWER</u> | <u>WATER</u> |
|----------------|--------------|--------------|
| Unbilled usage | \$ 17,557    | \$ 8,779     |

Management considers all receivables to be fully collectible.

**NOTE 5: DUE TO / FROM OTHER FUNDS**

The amount of short-term governmental interfund receivables and payable are as follows:

| <u>FUND</u>      | <u>RECEIVABLE</u> | <u>FUND</u>  | <u>PAYABLE</u>   |
|------------------|-------------------|--------------|------------------|
| General          | \$ 73,455         | Sewer        | \$ 25,096        |
| Internal Service | 15,973            | Water        | 41,981           |
|                  | <u>\$ 89,428</u>  | Major Street | 13,518           |
|                  |                   | Local Street | 8,833            |
|                  |                   |              | <u>\$ 89,428</u> |

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED FEBRUARY 29, 2008**

**NOTE 5: DUE TO / FROM OTHER FUNDS**

The long-term receivable and payable is the result of two inter-fund loans from the General Fund to Local Streets. The loans are repayable as follows:

| DATE<br>OF<br>ISSUE | AMOUNT<br>OF<br>ISSUE | INTEREST<br>RATE | DATE<br>OF<br>MATURITY | ANNUAL<br>PRINCIPAL<br>PAYABLE | ANNUAL<br>INTEREST<br>PAYABLE |
|---------------------|-----------------------|------------------|------------------------|--------------------------------|-------------------------------|
| 7/1/2004            | \$ 40,000             | 5.00%            | 7/1/2008               | 3,681                          | 1,499                         |
|                     |                       |                  | 7/1/2009               | 3,866                          | 1,315                         |
|                     |                       |                  | 7/1/2010               | 4,059                          | 1,121                         |
|                     |                       |                  | 7/1/2011 - 7/1/2014    | 18,368                         | 2,352                         |
|                     |                       |                  |                        | <u>29,974</u>                  | <u>6,287</u>                  |

| DATE<br>OF<br>ISSUE | AMOUNT<br>OF<br>ISSUE | INTEREST<br>RATE | DATE<br>OF<br>MATURITY | ANNUAL<br>PRINCIPAL<br>PAYABLE | ANNUAL<br>INTEREST<br>PAYABLE |
|---------------------|-----------------------|------------------|------------------------|--------------------------------|-------------------------------|
| 10/1/2004           | \$ 50,000             | 5.00%            | 10/1/2008              | 4,602                          | 1,873                         |
|                     |                       |                  | 10/1/2009              | 4,832                          | 1,643                         |
|                     |                       |                  | 10/1/2010              | 5,074                          | 1,402                         |
|                     |                       |                  | 10/1/2011 - 10/1/2014  | 22,960                         | 2,940                         |
|                     |                       |                  |                        | <u>\$ 37,468</u>               | <u>\$ 7,858</u>               |

**NOTE 6: LEASE AND INTEREST RECEIVABLE / DEFERRED LEASE AND INTEREST PAYMENTS**

During the fiscal year ended February 28, 2003, the Village entered into a leasing agreement with the Bellaire Building Authority whereby the Village will make annual lease payments to the Authority in the amount of the debt service requirements for the Craven Dam bonds described in Note 9.

In the fund financial statements, which uses the modified accrual basis of accounting, the lease and interest receivable is recorded as an asset with a balance of \$157,842 at the fiscal year-end, offset by a deferred lease and interest payment balance of the same amount. In the government-wide Statement of Net Assets, the lease and interest receivable and the deferred lease and interest payments are eliminated.

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED FEBRUARY 29, 2008**

**NOTE 7: CAPITAL ASSETS**

Capital asset activity of the Village's governmental and business-type activities was as follows:

|                                       | Balance<br>March 1, 2007 | Additions    | Disposals | Balance<br>February 29, 2008 |
|---------------------------------------|--------------------------|--------------|-----------|------------------------------|
| <b>Governmental Activities</b>        |                          |              |           |                              |
| Capital assets not being depreciated: |                          |              |           |                              |
| Land                                  | \$ 422,967               | \$ -         | \$ -      | \$ 422,967                   |
| Capital assets being depreciated:     |                          |              |           |                              |
| Buildings                             | 517,717                  | -            | -         | 517,717                      |
| Land Improvements                     | 94,652                   | -            | -         | 94,652                       |
| Furniture and fixtures                | 316,724                  | -            | -         | 316,724                      |
| Machinery and equipment               | 571,585                  | -            | -         | 571,585                      |
| Infrastructure                        | 143,301                  | -            | -         | 143,301                      |
| Subtotal                              | 1,643,979                | -            | -         | 1,643,979                    |
| Accumulated depreciation:             |                          |              |           |                              |
| Buildings                             | 36,996                   | 13,161       | -         | 50,157                       |
| Land Improvements                     | 15,044                   | 4,770        | -         | 19,814                       |
| Furniture and fixtures                | 200,357                  | 16,331       | -         | 216,688                      |
| Machinery and equipment               | 439,605                  | 22,802       | -         | 462,407                      |
| Infrastructure                        | 169,816                  | 6,266        | -         | 176,082                      |
| Subtotal                              | 861,818                  | 63,330       | -         | 925,148                      |
| Net capital assets being depreciated  | 782,161                  | (63,330)     | -         | 718,831                      |
| Net capital assets                    | \$ 1,205,128             | \$ (63,330)  | \$ -      | \$ 1,141,798                 |
|                                       |                          |              |           |                              |
| Capital assets not being depreciated: |                          |              |           |                              |
| Land                                  | \$ 51,500                | \$ -         | \$ -      | \$ 51,500                    |
| Capital assets being depreciated -    |                          |              |           |                              |
| Machinery and equipment:              |                          |              |           |                              |
| Sewer                                 | 53,959                   | -            | -         | 53,959                       |
| Water                                 | 28,285                   | -            | -         | 28,285                       |
| Utility Systems:                      |                          |              |           |                              |
| Sewer                                 | 3,710,952                | -            | -         | 3,710,952                    |
| Water                                 | 640,470                  | -            | -         | 640,470                      |
| Subtotal                              | 4,485,166                | -            | -         | 4,485,166                    |
| Accumulated depreciation -            |                          |              |           |                              |
| Sewer                                 | 1,585,593                | 96,781       | -         | 1,682,374                    |
| Water                                 | 238,679                  | 15,830       | -         | 254,509                      |
| Subtotal                              | 1,824,272                | 112,611      | -         | 1,936,883                    |
| Net capital assets                    | \$ 2,660,894             | \$ (112,611) | \$ -      | \$ 2,548,283                 |

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 7: CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the Village as follows:

| <b>Governmental Activities</b>  |                  | <b>Business-type Activities</b> |                   |
|---------------------------------|------------------|---------------------------------|-------------------|
| Village Administration          | \$ 28,910        | Water Utilities                 | \$ 15,830         |
| Parks                           | 6,383            | Sewer Utilities                 | <u>96,781</u>     |
| Dam                             | 185              | Total                           | <u>\$ 112,611</u> |
| Streets and Sidewalks           | 3,800            |                                 |                   |
| Law Enforcement                 | 5,422            |                                 |                   |
| Cemetery                        | 403              |                                 |                   |
| Allocated Internal Service Fund | <u>18,227</u>    |                                 |                   |
| Total                           | <u>\$ 63,330</u> |                                 |                   |

**NOTE 8: DEFERRED REVENUE**

The Village has deferred revenue in the amount of \$7,600 related to unspent grant monies as of February 29, 2008 as follows:

|   |                 |
|---|-----------------|
| Traverse City Rotary Club Soccer Park Grant | \$ 10,000       |
| Bellaire Rotary Club Soccer Park Grant      | <u>10,000</u>   |
|   | 20,000          |
| Less amount expended                        | <u>12,400</u>   |
| Amount deferred                             | <u>\$ 7,600</u> |

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 9: LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended February 29, 2008:

| Description and Purpose                    | Balance<br>March 1,<br>2007 | Issued      | Retired          | Balance<br>February 29,<br>2008 | Due<br>Within<br>One Year |
|--|-----------------------------|-------------|------------------|---------------------------------|---------------------------|
| <b><i>Governmental Activities</i></b>      |                             |             |                  |                                 |                           |
| Major Governmental Funds                   |                             |             |                  |                                 |                           |
| Installment Loan                           | \$ 134,497                  | \$ -        | \$ 8,520         | \$ 125,977                      | \$ 8,949                  |
| Non-major Governmental Fund                |                             |             |                  |                                 |                           |
| Craven Dam Bond                            | 145,000                     | -           | 10,000           | 135,000                         | 10,000                    |
| Capital Improvement Bond                   | 40,000                      | -           | 4,000            | 36,000                          | 4,000                     |
| Total                                      | <u>319,497</u>              | <u>-</u>    | <u>22,520</u>    | <u>296,977</u>                  | <u>22,949</u>             |
| <b><i>Business-type Activities</i></b>     |                             |             |                  |                                 |                           |
| Major Enterprise Fund                      |                             |             |                  |                                 |                           |
| Sewer Revenue Bonds                        | 650,000                     | -           | 35,000           | 615,000                         | 40,000                    |
| Sewer G.O. Bonds                           | 860,000                     | -           | 35,000           | 825,000                         | 35,000                    |
| Total                                      | <u>1,510,000</u>            | <u>-</u>    | <u>70,000</u>    | <u>1,440,000</u>                | <u>75,000</u>             |
| Total Primary Government<br>Long-term Debt | <u>\$ 1,829,497</u>         | <u>\$ -</u> | <u>\$ 92,520</u> | <u>\$ 1,736,977</u>             | <u>\$97,949</u>           |

Long-term debt as of February 29, 2008 consists of the following:

***LOCAL STREET INSTALLMENT LOAN***

| DATE<br>OF<br>ISSUE | AMOUNT<br>OF<br>ISSUE | INTEREST<br>RATE | DATE<br>OF<br>MATURITY | ANNUAL<br>PRINCIPAL<br>PAYABLE | ANNUAL<br>INTEREST<br>PAYABLE |
|---------------------|-----------------------|------------------|------------------------|--------------------------------|-------------------------------|
| 12/3/2003           | \$ 159,000            | 5.25%            | 9/15/2008              | 8,949                          | 6,630                         |
|                     |                       |                  | 9/15/2009              | 9,437                          | 6,142                         |
|                     |                       |                  | 9/15/2010              | 9,932                          | 5,646                         |
|                     |                       |                  | 9/15/2011 - 9/15/2015  | 58,037                         | 17,103                        |
|                     |                       |                  | 9/15/2016 - 9/15/2020  | 39,622                         | 6,826                         |
|                     |                       |                  |                        | <u>\$ 125,977</u>              | <u>\$ 42,347</u>              |

**Purpose of the Issue:**

To defray the cost of purchasing a plot of land within the Village limits.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 9: LONG-TERM DEBT (CONTINUED)**

***LIMITED FULL FAITH AND CREDIT GENERAL OBLIGATION CONTRACT OF  
LEASE – CRAVEN DAM PROJECT***

| DATE<br>OF<br>ISSUE | AMOUNT<br>OF<br>ISSUE | INTEREST<br>RATE | DATE<br>OF<br>MATURITY | ANNUAL<br>PRINCIPAL<br>PAYABLE | ANNUAL<br>INTEREST<br>PAYABLE |
|---------------------|-----------------------|------------------|------------------------|--------------------------------|-------------------------------|
| 10/17/2001          | \$ 190,000            | 4.40%            | 10/1/2008              | 10,000                         | 5,940                         |
|                     |                       |                  | 10/1/2009              | 10,000                         | 5,500                         |
|                     |                       |                  | 10/1/2010              | 15,000                         | 5,060                         |
|                     |                       |                  | 10/1/2011 - 10/1/2015  | 80,000                         | 15,400                        |
|                     |                       |                  | 10/1/2016 - 10/1/2020  | 20,000                         | 880                           |
|                     |                       |                  |                        | <u>\$ 135,000</u>              | <u>\$ 32,780</u>              |

Purpose of the Issue:

Defraying part of the cost of major repairs to Craven Dam. The debt was issued to the Bellaire Building Authority and the Village of Bellaire.

***GENERAL FUND CAPITAL IMPROVEMENT BONDS***

| DATE<br>OF<br>ISSUE | AMOUNT<br>OF<br>ISSUE | INTEREST<br>RATE | DATE<br>OF<br>MATURITY | ANNUAL<br>PRINCIPAL<br>PAYABLE | ANNUAL<br>INTEREST<br>PAYABLE |
|---------------------|-----------------------|------------------|------------------------|--------------------------------|-------------------------------|
| 12/28/2004          | \$ 48,000             | 4.00%            | 1/1/2009               | 4,000                          | 1,440                         |
|                     |                       |                  | 1/1/2010               | 5,000                          | 1,280                         |
|                     |                       |                  | 1/1/2011               | 5,000                          | 1,080                         |
|                     |                       |                  | 1/1/2012 - 1/1/2016    | 22,000                         | 2,280                         |
|                     |                       |                  |                        | <u>36,000</u>                  | <u>6,080</u>                  |

Purpose of the Issue:

Upgrade various components of the Village's water line system to accommodate future development.



**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 9: LONG-TERM DEBT (CONTINUED)**

***SANITARY SEWAGE DISPOSAL SYSTEM REVENUE AND REVENUE  
REFUNDING BONDS, SERIES 1999***

| DATE<br>OF<br>ISSUE | AMOUNT<br>OF<br>ISSUE | INTEREST<br>RATE | DATE<br>OF<br>MATURITY | ANNUAL<br>PRINCIPAL<br>PAYABLE | ANNUAL<br>INTEREST<br>PAYABLE |
|---------------------|-----------------------|------------------|------------------------|--------------------------------|-------------------------------|
| 11/16/1999          | \$ 865,000            | 4.65%            | 1/1/2009               | 40,000                         | 30,790                        |
|                     |                       | 4.70%            | 1/1/2010               | 40,000                         | 28,910                        |
|                     |                       | 4.75%            | 1/1/2011               | 40,000                         | 27,010                        |
|                     |                       | 4.80 - 5.00%     | 1/1/2012 - 1/1/2016    | 245,000                        | 102,655                       |
|                     |                       | 5.05 - 5.25%     | 1/1/2017 - 1/1/2021    | 250,000                        | 33,825                        |
|                     |                       |                  |                        | <u>\$ 615,000</u>              | <u>\$ 223,190</u>             |

Purpose of the Issue:

Defraying part of the cost of acquiring and constructing additions, extensions and improvements to the Village's sanitary sewage disposal system and to provide cash for the refunding of the Village's Sanitary Sewage Disposal System Revenue Bonds, Series 1972 and 1972B.

The bonds are payable solely and only from the net revenues of the sewer system. The Village has covenanted and agreed to fix and maintain at all times, while the bonds are still outstanding, such rates for services furnished by the sewer system that will be sufficient to provide for payment of the necessary expenses of operation, maintenance and administration of the sewer system, of the principal and interest on all of said bonds when due, to create and maintain a bond reserve account, and to provide for other such expenditures and funds for the sewer system as required. The Village has covenanted to charge and collect sufficient rates and charges each year so as to produce net revenues equal to at least 110% of annual debt service on the bonds.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 9: LONG-TERM DEBT (CONTINUED)**

***GENERAL OBLIGATION UNLIMITED TAX WASTEWATER REFUNDING BONDS  
1998***

| DATE<br>OF<br>ISSUE | AMOUNT<br>OF<br>ISSUE | INTEREST<br>RATE | DATE<br>OF<br>MATURITY | ANNUAL<br>PRINCIPAL<br>PAYABLE | ANNUAL<br>INTEREST<br>PAYABLE |
|---------------------|-----------------------|------------------|------------------------|--------------------------------|-------------------------------|
| 12/31/1998          | \$ 1,065,000          | 4.10%            | 12/1/2008              | 35,000                         | 37,303                        |
|                     |                       | 4.15%            | 12/1/2009              | 35,000                         | 35,868                        |
|                     |                       | 4.20%            | 12/1/2010              | 35,000                         | 34,415                        |
|                     |                       | 4.20 - 4.40%     | 12/1/2011 - 12/1/2015  | 205,000                        | 147,295                       |
|                     |                       | 4.45 - 4.60%     | 12/1/2016 - 12/1/2020  | 200,000                        | 101,945                       |
|                     |                       | 4.65 - 4.70%     | 12/1/2021 - 12/1/2025  | 230,000                        | 52,335                        |
|                     |                       | 4.70 - 4.80%     | 12/1/2026 - 12/1/2030  | 85,000                         | 5,978                         |
|                     |                       |                  |                        | <u>\$ 825,000</u>              | <u>\$ 415,139</u>             |

This issue refinanced the General Obligation Wastewater System Improvement Series 1988. The bond is backed by the full faith and credit of the Village and is an unlimited tax general obligation bond.

Purpose of the Issue:

Paying part of the cost of making improvements to the sanitary sewer system of the Village consisting generally of a new treatments plant and discharge facilities together with lines, pumps and storage improvements and all related appurtenances.

As of February 29, 2008, the Village is in compliance with all material covenants.

**INTEREST ON LONG-TERM DEBT**

GASB Statement No. 34 requires interest to be accrued for the long-term debt of governmental activities for the purposes of the government-wide financial statements. Proprietary funds have always recorded accrued interest, as they are governed by FASB guidelines. The government-wide financial statements include the following accrued interest balances at February 29, 2008:

|                  | <b>GOVERNMENTAL<br/>ACTIVITIES</b> | <b>BUSINESS<br/>TYPE ACTIVITIES</b> |
|------------------|------------------------------------|-------------------------------------|
| Accrued Interest | <u>\$ 8,760</u>                    | <u>\$ 15,079</u>                    |

The fund financial statements do not recognize accrued interest for governmental activities.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 10: DESIGNATED/RESERVED/RESTRICTED FUND BALANCE/NET ASSETS**

**RESERVED/RESTRICTED FUND BALANCE**

|   |                   |
|---|-------------------|
| The sewer fund has reserved/restricted fund balance/net assets for sewer improvement G.O. Bonds.                                | 116,791           |
| The Building Authority debt service fund has reserved/restricted fund balance/net assets for the Craven Dam Project G.O. Bonds. | 1,063             |
| The 2004 Water Upgrade debt service fund has reserved/restricted fund balance/net assets for the Water Upgrade Project Bonds    | 1,025             |
| The fund balance of local street and major street funds are reserved for future street and sidewalk repairs and construction    | 235,602           |
| The fund balance of the public safety fund is reserved for future public safety use   | 90,430            |
| The soccer fund has reserved/restricted fund balance/net assets related to unspent grant monies.                                | <u>7,600</u>      |
|   | <u>\$ 509,120</u> |

**DESIGNATED FUND BALANCE**

|  |                   |
|--|-------------------|
| The designated amount is retained for cemetery perpetual care. | <u>\$ 102,400</u> |
|--|-------------------|

**NOTE 11: PENSION PLAN**

The Village of Bellaire contributes to the Village of Bellaire Pension Plan, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amounts of benefits the individual is to receive. Under the Village's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Upon the date of hire, all full time employees are eligible to participate in the plan. Contributions made by both the Village and employees vest immediately. The participant will receive benefits at age 55 or the tenth anniversary of the date the participant commenced participation of the plan if later. There is no provision for early retirement.

The plan requires the Village to contribute 10% of the eligible employees wages. Additionally, each participant may make a contribution up to 10% of their salary.

**VILLAGE OF BELLAIRE**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED FEBRUARY 29, 2008**

**NOTE 11: PENSION PLAN (CONTINUED)**

During the year the Village contributed \$25,253 to the plan, which was 10% of its current year covered payroll. No pension provision changes occurred during the year that affected the required contributions to be made by the Village or its employees.

**NOTE 12: SEGMENT INFORMATION - ENTERPRISE FUNDS**

The water fund and sewer fund provide water and sewer services to Village residents and businesses. A synopsis of pertinent financial data is as follows:

|                                   |            |            |
|-----------------------------------|------------|------------|
| Operating Revenue                 | \$ 129,174 | \$ 358,978 |
| Operating Expense                 | 141,434    | 473,021    |
| Depreciation                      | 15,830     | 96,781     |
| Operating Income (Loss)           | (12,191)   | (114,043)  |
| Operating Transfers In/Out        | -          | -          |
| Increase (Decrease) in Net Assets | (12,191)   | (114,043)  |
| Additions to Fixed Assets         | -          | -          |
| Net Working Capital               | (6,622)    | 470,807    |
| Total Assets                      | 450,923    | 2,721,493  |
| Bonded Debt                       | -          | 1,440,000  |
| Total Equity                      | 407,625    | 1,239,843  |

**NOTE 13: INSURANCE COVERAGES**

The Village is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Village participated in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Village pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Village has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Village carries commercial insurance for other potential losses, including employee health and accident insurance.

**VILLAGE OF BELLAIRE  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED FEBRUARY 29, 2008**

**NOTE 14: COMPARATIVE DATA**

Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of the changes in the Village's financial operations. However, comparative data has not been presented in each of the statements.

**NOTE 15: CONTINGENCIES**

**GRANTS**

The Village and the Bellaire Building Authority have received grant monies from federal, state, and local sources. Grant monies are subject to audit by the grantor. Upon audit, some expenditures may be disallowed and as a result, those amounts may be refundable. Such refunds, if any, are generally payable from the Village's unrestricted fund balance. The Village feels that any potential disallowances, if any, are immaterial.

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2007**  
**GENERAL FUND**  
**YEAR ENDED FEBRUARY 29, 2008**

|                                     | ORIGINAL<br>BUDGET | FINAL<br>AMENDED<br>BUDGET | ACTUAL          | VARIANCE<br>FROM FINAL<br>AMENDED<br>BUDGET | PRIOR<br>YEAR<br>ACTUAL |
|-------------------------------------|--------------------|----------------------------|-----------------|---|-------------------------|
| <b>REVENUES</b>                     |                    |                            |                 |   |                         |
| Taxes and assessments               | \$ 335,000         | \$ 335,000                 | \$ 355,667      | \$ 20,667                                   | \$ 345,077              |
| State Shared Revenue                | 114,000            | 114,000                    | 111,600         | (2,400)                                     | 123,131                 |
| Local grants                        | 38,000             | 38,000                     | -               | (38,000)                                    | -                       |
| Charges for Services:               |                    |                            |                 |   |                         |
| Permits and Fees                    | 3,600              | 3,600                      | 3,710           | 110   | 5,678                   |
| Property Tax Administration         | 5,100              | 5,100                      | 5,494           | 394   | 5,313                   |
| Park Fees                           | -                  | -                          | -               | -   | 27,364                  |
| Franchise Fees                      | -                  | -                          | -               | -   | -                       |
| Interest income                     | 11,000             | 11,000                     | 15,518          | 4,518                                       | 16,635                  |
| Miscellaneous income                | 46,915             | 46,915                     | 39,899          | (7,016)                                     | 46,216                  |
| <b>Total Revenues</b>               | <b>553,615</b>     | <b>553,615</b>             | <b>531,888</b>  | <b>(21,727)</b>                             | <b>569,414</b>          |
| <b>EXPENDITURES</b>                 |                    |                            |                 |   |                         |
| <b>GENERAL GOVERNMENT</b>           |                    |                            |                 |   |                         |
| <b>Village Council:</b>             |                    |                            |                 |   |                         |
| Wages                               | 16,500             | 16,500                     | 15,180          | 1,320                                       | 15,725                  |
| Fringe Benefits                     | 1,325              | 1,325                      | 1,161           | 164   | 1,203                   |
| Office Supplies                     | -                  | -                          | -               | -   | -                       |
| Travel & Transportation             | 300                | 300                        | 25              | 275   | -                       |
| <b>Total Village Council</b>        | <b>18,125</b>      | <b>18,125</b>              | <b>16,366</b>   | <b>1,759</b>                                | <b>16,928</b>           |
| <b>General Administration:</b>      |                    |                            |                 |   |                         |
| Wages                               | 39,100             | 39,100                     | 40,607          | (1,507)                                     | 61,082                  |
| Fringe Benefits                     | 21,050             | 21,050                     | 28,314          | (7,264)                                     | 39,753                  |
| Office Supplies                     | 9,900              | 9,900                      | 4,846           | 5,054                                       | 9,276                   |
| Communications                      | 3,000              | 3,000                      | 2,781           | 219   | 2,763                   |
| Rent                                | 16,380             | 16,380                     | 18,180          | (1,800)                                     | 18,320                  |
| Tree Trimming                       | -                  | -                          | -               | -   | -                       |
| Equipment Rental                    | 600                | 600                        | 464             | 136   | 12,328                  |
| Professional Fees                   | 17,800             | 14,300                     | 14,604          | (304)                                       | 13,680                  |
| Printing                            | 1,300              | 1,300                      | 764             | 536   | 1,429                   |
| Repair and Maintenance              | 750                | 750                        | 489             | 261   | 239                     |
| Tax Roll                            | 1,200              | 1,200                      | 1,048           | 152   | 1,071                   |
| Insurance and Bonds                 | 2,500              | 2,500                      | 2,226           | 274   | 2,226                   |
| Dues and Subscriptions              | 1,250              | 1,250                      | 1,507           | (257)                                       | 1,490                   |
| Education and Training              | 1,500              | 1,500                      | 330             | 1,170                                       | 476                     |
| Retirement-Pension                  | 3,800              | 3,800                      | -               | 3,800                                       | -                       |
| Miscellaneous Expense               | 34,644             | 38,144                     | 31,955          | 6,189                                       | 18,224                  |
| Capital Outlay                      | 6,800              | 6,800                      | 5,231           | 1,569                                       | 131                     |
| <b>Total General Administration</b> | <b>161,574</b>     | <b>161,574</b>             | <b>153,346</b>  | <b>8,228</b>                                | <b>182,488</b>          |
| <b>Election:</b>                    |                    |                            |                 |   |                         |
| Wages and Benefits                  | 1,197              | 1,197                      | 300             | 897   | -                       |
| Supplies and Other                  | 1,216              | 1,216                      | 719             | 497   | -                       |
| <b>Total Election</b>               | <b>\$ 2,413</b>    | <b>\$ 2,413</b>            | <b>\$ 1,019</b> | <b>\$ 1,394</b>                             | <b>\$ -</b>             |

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2007**  
**GENERAL FUND**  
**YEAR ENDED FEBRUARY 29, 2008**

|                                    | ORIGINAL<br>BUDGET | FINAL<br>AMENDED<br>BUDGET | ACTUAL          | VARIANCE<br>FROM FINAL<br>AMENDED<br>BUDGET | PRIOR<br>YEAR<br>ACTUAL |
|------------------------------------|--------------------|----------------------------|-----------------|---|-------------------------|
| <b>GENERAL GOVERNMENT</b>          |                    |                            |                 |   |                         |
| <b>(CONTINUED):</b>                |                    |                            |                 |   |                         |
| <b>Building and Grounds:</b>       |                    |                            |                 |   |                         |
| Wages                              | \$ 4,050           | \$ 4,050                   | \$ 3,395        | \$ 655                                      | \$ 2,201                |
| Fringe Benefits                    | 237                | 237                        | 2,407           | (2,170)                                     | 1,416                   |
| Repairs and Maintenance            | 16,695             | 16,695                     | 24,479          | (7,784)                                     | 10,402                  |
| Insurance                          | 825                | 825                        | 760             | 65  | 762                     |
| Utilities                          | 7,375              | 7,375                      | 6,189           | 1,186                                       | 8,010                   |
| Street Lights                      | 19,663             | 19,663                     | 20,881          | (1,218)                                     | 20,126                  |
| Sidewalks                          | -                  | -                          | -               | -   | -                       |
| Miscellaneous Expense              | 5,225              | 5,225                      | 5,949           | (724)                                       | 1,363                   |
| Recycling                          | -                  | -                          | -               | -   | -                       |
| Capital Outlay                     | -                  | -                          | -               | -   | -                       |
| <b>Total Building and Grounds</b>  | <b>54,070</b>      | <b>54,070</b>              | <b>64,060</b>   | <b>(9,990)</b>                              | <b>44,280</b>           |
| <b>Total General Government</b>    | <b>236,182</b>     | <b>236,182</b>             | <b>234,791</b>  | <b>1,391</b>                                | <b>243,696</b>          |
| <b>RECREATION AND CULTURE:</b>     |                    |                            |                 |   |                         |
| <b>Parks and Playgrounds:</b>      |                    |                            |                 |   |                         |
| Wages                              | 30,913             | 30,913                     | 24,837          | 6,076                                       | 28,342                  |
| Fringes                            | 9,274              | 9,274                      | 17,493          | (8,219)                                     | 17,969                  |
| Communications                     | 600                | 600                        | 435             | 165   | 726                     |
| Contractual Services               | 4,600              | 4,600                      | 351             | 4,249                                       | 852                     |
| Insurance                          | 3,200              | 3,200                      | 3,007           | 193   | 3,007                   |
| Utilities                          | 7,600              | 7,600                      | 6,735           | 865   | 9,517                   |
| Repairs and Maintenance            | 11,162             | 11,162                     | 8,902           | 2,260                                       | 18,207                  |
| Equipment Rental                   | 19,100             | 19,100                     | 23,708          | (4,608)                                     | 23,146                  |
| Miscellaneous                      | 2,676              | 2,676                      | 1,161           | 1,515                                       | 1,364                   |
| Capital Outlay                     | 1,500              | 1,500                      | 784             | 716   | 2,481                   |
| <b>Total Parks and Playgrounds</b> | <b>90,625</b>      | <b>90,625</b>              | <b>87,413</b>   | <b>3,212</b>                                | <b>105,611</b>          |
| <b>PUBLIC WORKS:</b>               |                    |                            |                 |   |                         |
| <b>Craven Dam:</b>                 |                    |                            |                 |   |                         |
| Wages                              | 750                | 750                        | 89              | 661   | 627                     |
| Fringe Benefits                    | 350                | 350                        | 60              | 290   | 359                     |
| Equipment Rental                   | 350                | 350                        | 9               | 341   | 379                     |
| Utilities                          | 125                | 125                        | 237             | (112)                                       | 110                     |
| Repairs and Maintenance            | 7,925              | 7,925                      | 4,657           | 3,268                                       | -                       |
| Engineering                        | -                  | -                          | -               | -   | -                       |
| Capital Outlay                     | -                  | -                          | -               | -   | -                       |
| Operating Supplies/Other           | 50                 | 50                         | 50              | -   | -                       |
| <b>Total Craven Dam</b>            | <b>\$ 9,550</b>    | <b>\$ 9,550</b>            | <b>\$ 5,102</b> | <b>\$ 4,448</b>                             | <b>\$ 1,475</b>         |

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2007**  
**GENERAL FUND**  
**YEAR ENDED FEBRUARY 29, 2008**

|   | ORIGINAL<br>BUDGET | FINAL<br>AMENDED<br>BUDGET | ACTUAL            | VARIANCE<br>FROM FINAL<br>AMENDED<br>BUDGET | PRIOR<br>YEAR<br>ACTUAL |
|---|--------------------|----------------------------|-------------------|---|-------------------------|
| <b>ZONING</b>   |                    |                            |                   |   |                         |
| Wages   | \$ 20,200          | \$ 20,200                  | \$ 19,792         | \$ 408                                      | \$ 23,151               |
| Fringe Benefits   | 1,469              | 1,469                      | 1,728             | (259)                                       | 1,771                   |
| Office Supplies   | 3,050              | 3,050                      | 1,183             | 1,867                                       | 3,504                   |
| Legal Fees  | 4,000              | 4,000                      | 1,243             | 2,757                                       | 5,734                   |
| Printing & Publishing   | 700                | 700                        | 42                | 658   | 42                      |
| Education & Training  | 2,500              | 2,500                      | 1,831             | 669   | 1,841                   |
| Transportation & Travel   | 2,000              | 2,000                      | -                 | 2,000                                       | 160                     |
| Miscellaneous Expense   | 1,050              | 1,050                      | 62                | 988   | 515                     |
| <b>TOTAL ZONING</b>   | <b>34,969</b>      | <b>34,969</b>              | <b>25,881</b>     | <b>9,088</b>                                | <b>36,718</b>           |
| <b>Total Expenditures</b>   | <b>371,326</b>     | <b>371,326</b>             | <b>353,187</b>    | <b>18,139</b>                               | <b>387,500</b>          |
| <b>Excess of Revenues over Expenditures</b>                             | <b>182,289</b>     | <b>182,289</b>             | <b>178,701</b>    | <b>(3,588)</b>                              | <b>181,914</b>          |
| <b>OTHER FINANCING SOURCES (USES)</b>                                   |                    |                            |                   |   |                         |
| Operating transfers out   | (179,555)          | (179,555)                  | (209,155)         | (29,600)                                    | (171,700)               |
| Loan to other funds   | -                  | -                          | -                 | -   | -                       |
|   | (179,555)          | (179,555)                  | (209,155)         | 29,600                                      | (171,700)               |
| <b>Excess (deficiency) of revenues over expenditures and other uses</b> | <b>2,734</b>       | <b>2,734</b>               | <b>(30,454)</b>   | <b>(33,188)</b>                             | <b>10,214</b>           |
| Fund balance - beginning of year  | 471,038            | 471,038                    | 471,038           | -   | 460,824                 |
| Fund balance - end of year  | <u>\$ 473,772</u>  | <u>\$ 473,772</u>          | <u>\$ 440,584</u> | <u>\$ (33,188)</u>                          | <u>\$ 471,038</u>       |



**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2007**  
**PUBLIC SAFETY FUND**  
**YEAR ENDED FEBRUARY 29, 2008**

|  | <b>ORIGINAL<br/>BUDGET</b> | <b>FINAL<br/>AMENDED<br/>BUDGET</b> | <b>ACTUAL</b> | <b>VARIANCE<br/>FROM FINAL<br/>AMENDED<br/>BUDGET</b> | <b>PRIOR<br/>YEAR<br/>ACTUAL</b> |
|--|----------------------------|-------------------------------------|---------------|---|----------------------------------|
| <b>REVENUES</b>  |                            |                                     |               |   |                                  |
| State grants   | \$ 2,750                   | \$ 2,750                            | \$ 2,796      | \$ 46   | \$ 2,768                         |
| Charges for services   | 7,660                      | 7,660                               | 3,064         | (4,596)   | 4,907                            |
| Interest income  | 180                        | 180                                 | 966           | 786   | 286                              |
| Miscellaneous  | 300                        | 300                                 | 731           | 431   | 4,842                            |
| Total revenues   | 10,890                     | 10,890                              | 7,557         | (3,333)   | 12,803                           |
| <b>EXPENDITURES</b>  |                            |                                     |               |   |                                  |
| Wages-Public Safety  | 104,000                    | 104,000                             | 91,910        | 12,090  | 89,715                           |
| Fringe Benefits  | 66,200                     | 66,200                              | 49,173        | 17,027  | 55,778                           |
| Office Expense   | 3,045                      | 3,045                               | 5,002         | (1,957)   | 3,777                            |
| Fuel   | 5,400                      | 5,400                               | 5,489         | (89)  | 4,171                            |
| Professional Services  | 550                        | 550                                 | 1,129         | (579)   | 550                              |
| Telephone  | 1,000                      | 1,000                               | 1,194         | (194)   | 925                              |
| Education  | 500                        | 500                                 | -             | 500   | 405                              |
| Capital Outlay   | 2,200                      | 2,200                               | 1,817         | 383   | 1,500                            |
| Insurance & Bonds  | 3,800                      | 3,800                               | 3,808         | (8)   | 3,808                            |
| Miscellaneous  | 3,350                      | 3,350                               | 3,346         | 4   | 11,174                           |
| Total Expenditures   | 190,045                    | 190,045                             | 162,868       | 27,177  | 171,803                          |
| <b>Excess (Deficiency) of Revenues<br/>over Expenditures</b>                       | (179,155)                  | (179,155)                           | (155,311)     | 23,844  | (159,000)                        |
| <b>OTHER FINANCING SOURCES</b>   |                            |                                     |               |   |                                  |
| Transfers in   | 179,155                    | 179,155                             | 209,155       | (30,000)  | 160,000                          |
| <b>Excess (Deficiency) of Revenues<br/>and Other Sources over<br/>Expenditures</b> | -                          | -                                   | 53,844        | 53,844  | 1,000                            |
| Fund Balance - Beginning of Year   | 36,586                     | 36,586                              | 36,586        | -   | 35,586                           |
| Fund Balance - End of Year   | \$ 36,586                  | \$ 36,586                           | \$ 90,430     | \$ 53,844   | \$ 36,586                        |

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2007**  
**MAJOR STREET FUND**  
**YEAR ENDED FEBRUARY 29, 2008**

|   | <b>ORIGINAL<br/>BUDGET</b> | <b>FINAL<br/>AMENDED<br/>BUDGET</b> | <b>ACTUAL</b>     | <b>VARIANCE<br/>FROM FINAL<br/>AMENDED<br/>BUDGET</b> | <b>PRIOR<br/>YEAR<br/>ACTUAL</b> |
|---|----------------------------|-------------------------------------|-------------------|---|----------------------------------|
| <b>REVENUES</b>   |                            |                                     |                   |   |                                  |
| State grants  | \$ 63,000                  | \$ 63,000                           | \$ 67,314         | \$ 4,314  | \$ 57,632                        |
| Other revenue   | 1,500                      | 1,500                               | 1,466             | (34)  | (1,402)                          |
| Charges for services  | 14,500                     | 14,500                              | 12,965            | (1,535)   | 14,500                           |
| Interest income   | 5,000                      | 5,000                               | 6,416             | 1,416   | 5,684                            |
| Total revenues  | 84,000                     | 84,000                              | 88,161            | 4,161   | 79,218                           |
| <b>EXPENDITURES</b>   |                            |                                     |                   |   |                                  |
| Wages-Major Sts.  | 16,523                     | 21,523                              | 21,355            | 168   | 17,195                           |
| Fringe benefits   | 10,176                     | 10,176                              | 15,052            | (4,876)   | 11,439                           |
| Repair and maintenance  | 8,250                      | 11,250                              | 11,694            | (444)   | 11,250                           |
| Professional services   | 575                        | 575                                 | 1,125             | (550)   | 575                              |
| Traffic control   | 775                        | 775                                 | 870               | (95)  | 2,535                            |
| Capital outlay  | 18,000                     | 10,000                              | 9,652             | 348   | -                                |
| Equipment rental  | 25,133                     | 30,133                              | 37,402            | (7,269)   | 34,851                           |
| Insurance and bonds   | 675                        | 675                                 | 640               | 35  | 640                              |
| Miscellaneous   | 850                        | 850                                 | 1,048             | (198)   | 634                              |
| Total expenditures  | 80,957                     | 85,957                              | 98,838            | (12,881)  | 79,119                           |
| <b>Excess (deficiency) of revenues over<br/>(under) expenditures</b>                      | 3,043                      | (1,957)                             | (10,677)          | (8,720)   | 99                               |
| <b>OTHER FINANCING SOURCES</b>  |                            |                                     |                   |   |                                  |
| Transfer in   | 5,000                      | 10,000                              | -                 | 10,000  | -                                |
| <b>Excess (deficiency) of revenue and<br/>other sources over (under)<br/>expenditures</b> | (8,043)                    | (8,043)                             | (10,677)          | (18,720)  | (99)                             |
| Fund balance - beginning of year  | 141,888                    | 141,888                             | 131,246           | (10,642)  | 131,147                          |
| Fund balance - end of year  | <u>\$ 149,931</u>          | <u>\$ 149,931</u>                   | <u>\$ 120,569</u> | <u>\$ (29,362)</u>                                    | <u>\$ 131,246</u>                |

**VILLAGE OF BELLAIRE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL - WITH**  
**COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2007**  
**LOCAL STREET FUND**  
**YEAR ENDED FEBRUARY 29, 2008**

|  | <b>ORIGINAL<br/>BUDGET</b> | <b>FINAL<br/>AMENDED<br/>BUDGET</b> | <b>ACTUAL</b> | <b>VARIANCE<br/>FROM FINAL<br/>AMENDED<br/>BUDGET</b> | <b>PRIOR<br/>YEAR<br/>ACTUAL</b> |
|--|----------------------------|-------------------------------------|---------------|---|----------------------------------|
| <b>REVENUES</b>  |                            |                                     |               |   |                                  |
| Taxes and assessments  | \$ 95,000                  | \$ 95,000                           | \$ 97,048     | \$ 2,048  | \$ 93,159                        |
| State grants   | 25,000                     | 25,000                              | 30,383        | 5,383   | 36,862                           |
| Interest income  | 4,500                      | 4,500                               | 8,132         | 3,632   | 3,601                            |
| Other  | 2,450                      | 2,450                               | 1,041         | (1,409)   | 2,604                            |
| Total revenues   | 126,950                    | 126,950                             | 136,604       | 9,654   | 136,226                          |
| <b>EXPENDITURES</b>  |                            |                                     |               |   |                                  |
| Wages-Local Sts.   | 19,661                     | 19,661                              | 21,664        | (2,003)   | 12,765                           |
| Employers social security  | 8,901                      | 8,901                               | 15,233        | (6,332)   | 8,435                            |
| Miscellaneous  | 700                        | 700                                 | 2,484         | (1,784)   | 701                              |
| Repair and maintenance   | 16,746                     | 16,746                              | 12,543        | 4,203   | 12,883                           |
| Professional services  | 10,200                     | 600                                 | 650           | (50)  | 724                              |
| Traffic control  | 1,000                      | 1,000                               | 473           | 527   | 2,461                            |
| Sidewalk construction  | 4,000                      | 4,000                               | 3,728         | 272   | 1,085                            |
| Capital outlay   | 30,000                     | 44,000                              | 28,724        | 15,276  | -                                |
| Equipment rental   | 28,000                     | 28,000                              | 37,804        | (9,804)   | 23,819                           |
| Insurance and bonds  | 700                        | 700                                 | 640           | 60  | 640                              |
| Debt service:  |                            |                                     |               |   |                                  |
| Bond principal   | 16,409                     | 16,409                              | 17,204        | (795)   | 28,070                           |
| Bond interest  | 10,825                     | 10,825                              | 10,029        | 796   | 7,258                            |
| Total expenditures   | 147,142                    | 151,542                             | 151,176       | 366   | 98,841                           |
| <b>Excess (deficiency) of revenues over expenditures</b>                     | (20,192)                   | (24,592)                            | (14,572)      | 10,020  | 37,385                           |
| <b>OTHER FINANCING SOURCES</b>   |                            |                                     |               |   |                                  |
| Proceeds from the issuance of debt   | 28,000                     | -                                   | -             | -   | -                                |
| Total other financing sources  | 28,000                     | -                                   | -             | -   | -                                |
| <b>Excess of revenues and other sources over expenditures and other uses</b> | 7,808                      | (24,592)                            | (14,572)      | 10,020  | 37,385                           |
| Fund balance - beginning of year   | 129,605                    | 129,605                             | 129,605       | -   | 92,220                           |
| Fund balance - end of year   | \$ 137,413                 | \$ 105,013                          | \$ 115,033    | \$ 10,020   | \$ 129,605                       |

**VILLAGE OF BELLAIRE  
COMBINING BALANCE SHEET  
NON-MAJOR FUNDS  
FEBRUARY 29, 2008**

|                                      | <b>CEMETERY</b>   | <b>BELLAIRE<br/>BUILDING<br/>AUTHORITY<br/>DEBT SERVICE</b> | <b>WATER<br/>UPGRADE<br/>DEBT SERVICE</b> | <b>SOCCER<br/>PARK</b> | <b>TOTAL</b>      |
|--------------------------------------|-------------------|---|---|------------------------|-------------------|
| <b>ASSETS</b>                        |                   |   |   |                        |                   |
| Cash                                 | \$ 13,249         | \$ 1,063  | \$ 1,025                                  | \$ 9,418               | \$ 24,755         |
| Investments                          | 89,151            | -   | -   | -                      | 89,151            |
| Total assets                         | <u>\$ 102,400</u> | <u>\$ 1,063</u>   | <u>\$ 1,025</u>                           | <u>\$ 9,418</u>        | <u>\$ 113,906</u> |
| <b>LIABILITIES AND FUND BALANCES</b> |                   |   |   |                        |                   |
| <b>Liabilities:</b>                  |                   |   |   |                        |                   |
| Accounts payable                     | \$ 8              | \$ -  | \$ -                                      | \$ -                   | \$ 8              |
| Deferred income                      | -                 | -   | -   | 7,600                  | 7,600             |
| Total liabilities                    | 8                 | -   | -   | 7,600                  | 7,608             |
| <b>Fund Balances:</b>                |                   |   |   |                        |                   |
| Reserved for:                        |                   |   |   |                        |                   |
| Debt service                         | -                 | 1,063   | 1,025                                     | -                      | 2,088             |
| Unreserved                           | 102,392           | -   | -   | 1,818                  | 104,210           |
| Total fund balance                   | 102,392           | 1,063   | 1,025                                     | 1,818                  | 106,298           |
| Total liabilities and fund equity    | <u>\$ 102,400</u> | <u>\$ 1,063</u>   | <u>\$ 1,025</u>                           | <u>\$ 9,418</u>        | <u>\$ 113,906</u> |

**VILLAGE OF BELLAIRE**  
**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**NON-MAJOR FUNDS**  
**YEAR ENDED FEBRUARY 29, 2008**

|  | <b>CEMETARY</b> | <b>BELLAIRE<br/>BUILDING<br/>AUTHORITY<br/>DEBT SERVICE</b> | <b>WATER<br/>UPGRADE<br/>DEBT SERVICE</b> | <b>SOCCER<br/>PARK</b> | <b>TOTAL</b> |
|--|-----------------|---|---|------------------------|--------------|
| <b>REVENUES</b>  |                 |   |   |                        |              |
| Local grants   | \$ -            | \$ -  | \$ -                                      | \$ 575                 | \$ 575       |
| Charges for services   | 8,150           | -   | -   | -                      | 8,150        |
| Rental income  | -               | 18,180  | -   | -                      | 18,180       |
| Interest income  | 9,733           | 14  | 43  | 160                    | 9,950        |
| Total revenues   | 17,883          | 18,194  | 43  | 735                    | 36,855       |
| <b>EXPENDITURES</b>  |                 |   |   |                        |              |
| Cemetery   | 12,871          | -   | -   | -                      | 12,871       |
| Other  | -               | 1,800   | 14,940                                    | -                      | 16,740       |
| Debt service:  |                 |   |   |                        |              |
| Principal payments   | -               | 10,000  | 4,000                                     | -                      | 14,000       |
| Interest expense   | -               | 6,380   | 1,600                                     | -                      | 7,980        |
| Total expenditures   | 12,871          | 18,180  | 20,540                                    | -                      | 51,591       |
| Excess (deficiency) of revenues over expenditures                                  | 5,012           | 14  | (20,497)                                  | 735                    | (14,736)     |
| <b>OTHER FINANCING SOURCES<br/>(USES)</b>  |                 |   |   |                        |              |
| Transfers in   | -               | -   | 7,222                                     | -                      | 7,222        |
| Total other financing sources  | -               | -   | 7,222                                     | -                      | 7,222        |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | 5,012           | 14  | (13,275)                                  | 735                    | (7,514)      |
| Fund balance - beginning of year   | 97,380          | 1,049   | 14,300                                    | 1,083                  | 113,812      |
| Fund balance - end of year   | \$ 102,392      | \$ 1,063  | \$ 1,025                                  | \$ 1,818               | \$ 106,298   |

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Bellaire, Michigan, as of and for the year ended February 29, 2008, which collectively comprise the Village of Bellaire, Michigan's basic financial statements and have issued our report thereon dated July 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Bellaire, Michigan's internal control over financial reporting as a basis for designing our auditing procedure for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Bellaire, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Bellaire, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village of Bellaire, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Village of Bellaire, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the Village of Bellaire, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village of Bellaire, Michigan's internal control.


Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Bellaire, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village of Bellaire, Michigan, in a separate letter dated July 16, 2008.

This report is intended solely for the information and use of management, the Village Council, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specific parties.

  
Keskin, Cook, Miller & Alexander, LLP